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January 3, 1974

Central Intelligence Bulletin

CONTENTS

ARAB STATES - ISRAEL: Artillery exchanges reported on Suez, Syrian fronts. (Page 1)

25X1

INTERNATIONAL MONETARY DEVELOPMENTS: Strengthening of dollar accelerated on January 2. (Page 5)

25X1

BURMA-CHINA: Peking concerned over publicity being given by Rangoon to China's involvement with Burmese insurgents. (Page 7)

25X1

ARAB STATES - ISRAEL: Egyptian observers reported extensive artillery fire along the Suez Canal yesterday after two days of relative quiet. Artillery exchanges also were reported on the Syrian front.

The firing on the canal front took place throughout the day and apparently was on a more intensive scale than the sporadic exchanges which had occurred previously. It is not clear who began the shooting, but harassing artillery fire provides Cairo a means of pressuring Tel Aviv and of keeping world attention on the battle front. The firing was concentrated along the Israeli salient on the west bank of the canal and along the northern sector of the east bank.

According to an Israeli military spokesman, eight Israeli soldiers were wounded yesterday on the Suez front and some casualties were suffered on the Syrian front, but the number has not yet been disclosed.

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25X1

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Jan 3, 1974

Central Intelligence Bulletin

1

25X1

Approved For Release 2004/01/15 : CIA-RDP79T00975A025900130001-0

Next 2 Page(s) In Document Exempt

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INTERNATIONAL MONETARY DEVELOPMENTS: The strengthening of the dollar accelerated on the first trading day of the new year. Strong demand for dollars emerged because of the energy situation and because commercial and financial institutions made transactions that had been postponed for technical reasons.

The greatest dollar gain was recorded against the mark. There reportedly has still been no substantial intervention by the Bundesbank to support the mark, despite repeated press reports that substantial dollar sales would occur once the dollar reached the old German central rate of 2.669. This rate was surpassed on December 21.

In Tokyo, the current yen-dollar rate was maintained only through continued and heavy central bank intervention, amounting to over \$240 million.

The price of gold jumped \$3 an ounce yesterday, to \$115. Although it is still below the record \$127 an ounce of July 6, 1973, the price of gold has reached record levels in terms of the mark, pound, and other major European currencies. Since July 6, the dollar has appreciated 19 percent against the mark and 10 percent against the pound, while gold is less than 10 percent below its peak dollar rate. Gold and the dollar have strengthened concurrently in recent months, a reversal of the situation in early 1973, when gold rose while the dollar weakened.

The recent demand for gold and dollars comes from Europe and Japan--the areas that will suffer the greatest balance-of-payment pressures due to the successive rounds of oil price increases.

25X1

Jan 3, 1974

Central Intelligence Bulletin

5

BURMA-CHINA: Peking is demonstrating some concern over Rangoon's efforts to publicize China's involvement with Burmese Communist insurgents. On December 20, the Chinese Embassy in Rangoon called in local Chinese leaders and warned that such publicity could lead to a repetition of the anti-Chinese riots in 1967 which led to a rupture in diplomatic relations.

The embassy's warning was prompted at least in part by a spate of officially inspired stories in the Burmese press that called attention to external support for the insurgents. The stories came out of a mid-December government-sponsored press tour of the front lines in northeastern Burma during which journalists were shown evidence of direct Chinese involvement.

In the past, Rangoon has been reluctant to publicize China's role in establishing and supporting the six-year-old Northeast Command of the Burmese Communist insurgency out of fear of damaging relations with Peking. The Burmese appear resigned to the fact that Chinese support will continue, but they hope that the low-key publicity campaign will embarrass Peking's ongoing efforts to restore normal diplomatic ties with the states of Southeast Asia and persuade the Chinese at least to limit their role in the insurgency.

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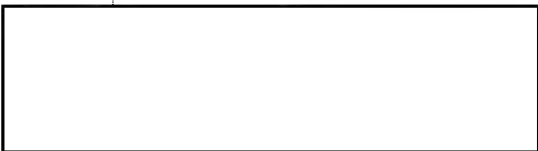
Next 4 Page(s) In Document Exempt

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